

### **Endorsers:**

Rick Hert, Film Commissioner  
*West Michigan Film Office*

Dick Rolfe, CEO  
*The Dove Foundation*

Deborah Havens, Chair  
*West Michigan Film and Video Alliance*

John Grooters, President  
*Grooters Productions*

John Hyatt, Owner  
*John S. Hyatt & Associates*

Bob Goodrich, President  
*Goodrich Quality Theaters*

Dan Lemieux, President  
*Superior Stunts*

Matthew Horn, President  
*Samba Productions*

David Lowing, Owner,  
*Lowing Light and Grip*

Tamaryn Tobian, Principal  
*Spectacle Creative Media*

Attila Bokor, President  
*Michigan Film Reel*

Marcia Fishman, Executive  
Director Detroit/Philadelphia  
Branch, *Screen Actors Guild*

Janette Rook, National  
Representative/Detroit Executive  
Director, *American Federation of  
Television & Radio Artists*

## **WEST MICHIGAN FILM INDUSTRY TASK FORCE**

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### **UNIFIED PROPOSAL FOR A RENEWED FILM INCENTIVE IN MICHIGAN**

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We believe that the motion picture/digital media/video game industry in Michigan is a vital economic sector that can help put our state back on the track as a prosperous place to live and work.

Media is one of the three fastest growing industries in the United States. Michigan's economy desperately needs to diversify so we never get caught again relying on just one industry.

Here are a few facts we would like to share:

Nine out of ten states with the best tax climate (lowest corporate tax rates as deemed by the Tax Foundation) have film incentives including Alaska, Florida, South Dakota, and Indiana.

According to a recent study conducted by Ernst & Young, P.C., for every \$1 invested by the Michigan Film Tax Incentive, \$6 is generated in economic activity. The attached proposal will keep Michigan a Top 10 Film Production state.

The elimination of the incentives will take Michigan from a Top 3 industry competitor to tied for 47th place with Iowa and Kansas.

This unified joint proposal has been endorsed by film-related companies and their vendors, small business owners, government officials, and educators throughout Michigan. If adopted, it is projected to create over \$1 BILLION in economic activity in our state.

Please read and consider the attached Unified Proposal for a Renewed Film Incentive Program, and keep Michigan at the forefront of new technologies that will stimulate our economy and create 21<sup>st</sup> century jobs.

Thank you.

## MICHIGAN FILM & DIGITAL MEDIA INCENTIVE BACKGROUND

### Current Incentives

The current Michigan Film & Digital Media Production incentive, passed in 2007 with a 147-1 vote and is one of the most competitive in the US with a maximum of a 40 percent refund on qualified Michigan production expenditures including Michigan resident labor and a 30 percent refund on non-Michigan below-the-line labor filed against the production company's Michigan Business Tax liability.

Since taking effect in 2008 there has been a rapidly increase in the number of productions and in the amount of production expenditures.

Michigan Film Production

	2007	2008	2009	2010
Incentive Rate	12-20%	30-42%	30-42%	30-42%
# of Productions	3	35	46	58
Production Expenditures	\$2.0M	\$125.0M	\$223.6M	\$293.4M
Incentives Paid	\$250K (Est.)	\$47.9M	\$73.0M	\$115.0M

Statistics from the Michigan Film Office

### Qualification Process

To qualify for the incentive each production company must apply to the Michigan Film Office and each application is extensively reviewed by the Michigan Film Office, Michigan Economic Development Corporation and the Michigan Treasury Department to determine the number of jobs the film will create and the economic benefit it will provide to the state and local communities. Michigan has some of the most rigorous vetting procedures in the country with approximately 45% of applications being rejected in 2010.

Preference is given to productions which meet the following criteria:

- Ability to promote Michigan as a tourist destination and show the state in a positive light
- The number and wage levels of direct jobs created for Michigan residents
- Utilization of existing Michigan infrastructure
- Magnitude of estimated expenditures in Michigan

### Production

Once approved the average production hires **more than 30 businesses** (often small businesses) to provide support services including legal, accounting, craft services, transportation, security, construction, and marketing and public relations.

In 2010, more than 2,800 indirect jobs were created by support companies specifically due to film production in addition to the 5,300 direct production hires and 8,000 extras/day players hired by productions.

### Post Production

When filming has been complete the film's final accounting is reviewed and certified. The Treasury department then issues a refundable credit against the production company's Michigan Business Tax liability.

# Why Should Michigan Incentivize Film and Media Industries?

## Incentives Help Keep Michigan Competitive

- 44 States, 6 US territories, and more than 70 countries offer film incentives.
- 11 states offer incentives that are 30% or higher

## Michigan's Top Competitors

- Pennsylvania 25% Credit \$60M
- Louisiana 30-35% Credit—No Cap
- Florida 20-30% Credit \$242M / 5 years (\$48M/yearly)
- New York 30% Credit \$420M

## New Economy

Production is recession proof.

- In 2009, 31% of all films produced were produced in the United States.
- The gross revenue of this industry continues to grow at 5%+ rate a year during this tough economic time.
- Motion Picture employment is growing at 6%+ a year.
- This industry continues to be a major leader in exports.

## Keeps Our Young People in State

Michigan's young college graduates want to work in media and technology, not manufacturing and agriculture.

- Michigan's college graduates are fleeing the state at a 50%+ rate
- 54% of motion picture industry is 34 or younger, 19% more than an average industry.
- 59% of industry employees have Bachelor's Degree
- 21% have Master's Degrees
- Average Full Time Equivalent Salary (FTE) was \$64,400 in 2010

## Direct Impact on Education

Directly after the implementation of the Film and Media Incentives, many higher education programs saw large increases.

- MSU Telecommunications and Media Undergraduate program saw a 22% increase.
- Oakland University Cinema Studies program saw a 50% increase in enrollment.
- Compass College of Cinematic Arts in Grand Rapids saw a 300% increase in applicants.
- GVSU film and television program has grown to maximum capacity in the last 4 years.

## Perpetuates State Promotion and Tourism Long-term

Films are huge media and marketing attention getters

- Takes 5-7 years to come to full fruition
- As of May 2011, more than 700,000 articles have been written and/or indexed about *Oz: The Great and Powerful*, currently in production at Raleigh Studios in Pontiac. Many of these mention Michigan and Detroit.
- 1979 *Somewhere in Time* continues to bring in \$600,000 a year in tourism to Mackinaw Island
- 30% of out of state tourist surveyed said they discovered Mackinaw Island from *Somewhere in Time*

# Joint Michigan Film and Digital Media Proposal

- **REDUCE INCENTIVE BY MORE THAN 20%, INCREASING RETURN ON INVESTMENT**

- ✓ 42% to 32%: Cut current 42% incentive to lower, competitive 32% rate.

- **CUT OUT-STATE PAYMENTS & ENHANCE VALUE FOR MICHIGAN TAXPAYERS AND WORKERS**

- ✓ Phase down incentive for non-Michigan residents working "below the line". Start at 25% in 2012, and drop to 10% over 5 years (facilitates training of Michigan crews).
- ✓ Encourage enhanced use of Michigan businesses, workers, and facilities, with additional investment incentive of 2% for one\* of the following:
  1. Post-production work performed in Michigan;
  2. Production activities of Michigan workers when 80% or more of workers and payroll on a project are Michigan residents; or
  3. Production activities at "qualified facilities" in Michigan to encourage use of Michigan infrastructure.\*

*\*A production could qualify for both No. 2 and No. 3 above.*

- ✓ End pass-throughs to non-Michigan vendors. Assure arm's length transactions so expenditures do not exceed usual and customary costs of goods and services.

- **CAP PAYMENTS TO PROVIDE PREDICTABILITY & FISCAL STABILITY**

- ✓ End unlimited incentive payments with a rolling cap—limiting payments by fiscal year. Unused cap carries forward to next fiscal year. State pays up to capped amount each fiscal year (\$180 million). Amount above cap is first in line for payment in next year.
- ✓ Use it or lose it. Forfeit incentive not claimed within 12 months of completion & eligibility.

- **ADJUST ELIGIBILITY FOR MORE EFFICIENT AND EFFECTIVE INVESTMENT INCENTIVE**

- ✓ Limit producer fees eligible for incentive to a maximum of 5% of budget for non-Michigan residents & 10% for Michigan residents.
- ✓ Adjust eligible expenditures. Clarify eligibility for video games, commercials, talk shows, games shows (not prizes) and certain live shows. Restrict entertainment, amusement, recreation, and art and jewelry purchases as authorized expenditures.
- ✓ Increase application fee payable to State of Michigan. Currently \$100. Increase to .2% of projected incentive, with a minimum of \$200 and a maximum of \$5,000 (\$200 payable with application, balance when application approved).

- **PROMOTE MICHIGAN TOURISM**

- ✓ Pure Michigan: Require inclusion of an animated Pure Michigan logo in credits of film or video game to qualify for the investment incentive.